

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-06
CEA-01 PA-01 PRS-01 /082 W
-----127261 121132Z /23

R 120944Z JAN 78
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC 5841
INFO USDOC WASHDC
AMCONSUL IBADAN
AMCONSUL KADUNA

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E.O. 11652: N/A
TAGS: EFIN, ETRD, NI
SUBJECT: FOREIGN EXCHANGE REMITTANCE APPROVAL PROBLEM AT CENTRAL
BANK IMPROVING

REF: 77 LAGOS 12050

1. ALTHOUGH CENTRAL BANK HAS NEVER BEEN KNOWN FOR SPEEDY ACTION, THE AFTERMATH OF LAST SUMMER'S FOREIGN EXCHANGE SCANDAL NEARLY BROUGHT CENTRAL BANK'S OPERATION TO A STANDSTILL. THE ARREST, FIRING OR FORCED TRANSFER OF MANY KEY CENTRAL BANK PERSONNEL WAS THE ORDER OF THE DAY. ALSO, IN EFFORT TO STEM ILLEGAL OUT-FLOW OF FOREIGN EXCHANGE, CENTRAL BANK OVERCOMPENSATED WITH A RUSH OF DEBILITATING DIRECTIVES TO PRIVATE BANKING AND BUSINESS SECTORS WHICH FURTHER DEPRESSED ALREADY DIFFICULT NIGERIAN BUSINESS CLIMATE.

2. HOWEVER, LOCAL U.S. BANK REPS REPORT THAT PROBLEM OF LONG DELAYS IN SECURING CENTRAL BANK APPROVAL FOR FOREIGN TRADE REMITTANCES, ESPECIALLY FOR SIGHT DRAFTS, IS FINALLY IMPROVING.
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3. SOME PROBLEM AREAS REMAIN. CLEARANCE OF PERSONAL REMITTANCES AND 'NAIRA ACCOUNT' TRANSFERS STILL ARE BOGGED DOWN. NEVERTHELESS, PRIVATE BANKS ARE NOW REGAINING CONFIDENCE IN CENTRAL BANK, WITH ONE BANKER SAYING QUOTE THEY (CENTRAL BANK) AREN'T SO BAD AFTER ALL. THEY ARE EVEN STARTING TO LISTEN TO US UNQUOTE.

4. COMMENT: CRISES IN NIGERIA AS EVERYWHERE ELSE DO NOT LAST FOREVER, AND THE EFFECT OF THE FOREIGN EXCHANGE SCANDAL ON THE CENTRAL BANK IS NO EXCEPTION. STILL, THE BANKERS'S OPTIMISM IS IMPRESSIVE GIVEN THE WIDESPREAD ASSUMPTION IN THE FINANCIAL COMMUNITY THAT THERE WILL BE A THIRD TRIBUNAL IN THE NEAR FUTURE TO PROSECUTE VIOLATORS OF THE 1977 FOREIGN EXCHANGE DECREE. WE CONCUR WITH BANKERS' JUDGMENT THAT CONDITIONS WILL CONTINUE TO IMPROVE AT CENTRAL BANK REGARDLESS OF FURTHER PROSECUTIONS. STILL, GIVEN THE FMG'S INCLINATION TO SOLVE PROBLEMS WITH A BATTLEAXE INSTEAD OF A SCALPEL, THE CHANCES OF NEW BANKING CRISES REMAIN ALL TOO PROBABLE. PRESENT RECOVERY LARGELY ATTRIBUTED TO EFFORTS AND ABILITY OF NEW BANK GOVERNOR VINCENT, AN OLD-LINE PROFESSIONAL WHO HAS SPENT BULK OF HIS CAREER WITH BANK.
EASUM

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, FOREIGN EXCHANGE, BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LAGOS00431
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780018-0227
Format: TEL
From: LAGOS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780172/aaaacjae.tel
Line Count: 78
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b5368be4-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 LAGOS 12050
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 26 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3788929
Secure: OPEN
Status: NATIVE
Subject: FOREIGN EXCHANGE REMITTANCE APPROVAL PROBLEM AT CENTRAL BANK IMPROVING
TAGS: EFIN, ETRD, NI
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/b5368be4-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014